

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 301 - HB 950

March 4, 2017

SUMMARY OF BILL: Authorizes electric cooperatives to provide broadband internet access or related services.

ESTIMATED FISCAL IMPACT:

Increase Local Revenue – Exceeds \$200,000/Permissive

Increase Local Expenditures – Exceeds \$200,000/Permissive

Other Fiscal Impact – Due to multiple unknown factors, a precise increase in state revenue and permissive increase in local government expenditures from payment of F&E taxes by electric cooperatives providing broadband service cannot be reasonably determined.

Assumptions:

- Pursuant to Tenn. Code Ann. § 65-25-103, electric cooperatives are nonprofit entities who, pursuant to Tenn. Code Ann. § 65-25-112, distribute revenues for any fiscal year, in excess of the amount necessary to defray the expenses of the cooperative, to the patrons of the cooperative.
- To the extent any electric cooperative chooses to provide broadband service there will be a permissive increase in local government expenditures for infrastructure needs; however, any permissive increase in expenditures will be met with an equal, corresponding permissive increase in local government revenue by way of subscriber fees which will be determined based on the costs for providing broadband service to customers.
- While it is unknown how many electric cooperatives will elect to provide broadband service and the amount of infrastructure costs that will be associated with providing such service, a precise recurring increase in local government expenditures and equal, corresponding permissive increase in local government revenue cannot be determined but is reasonably estimated to exceed \$200,000 per year.
- Pursuant to Tenn. Code Ann. § 67-4-2007(a) and § 67-4-2105(a), nonprofit businesses are not responsible for paying F&E taxes, except for earnings and net worth which is garnered outside of the original scope of business for which nonprofit status was originally granted.

- It is assumed that any electric cooperative opting to provide broadband service, as authorized in this language, will now be responsible for paying F&E taxes; however, due to multiple unknown variables such as how many electric cooperatives will opt to provide broadband service and the extent of their earnings and net worth earned from broadband service; a precise increase in local government expenditures and proportionate increase in state revenue cannot reasonably be determined.

IMPACT TO COMMERCE:

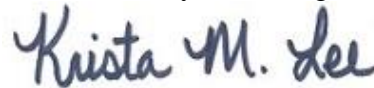
Other Fiscal Impact – Due to multiple unknown factors, a precise impact to business revenue and jobs in Tennessee cannot reasonably be determined.

Assumptions:

- Electric cooperatives providing broadband service will result in a change to business revenues for private companies currently providing broadband service; however it is unknown how many electric cooperatives will opt to provide broadband service, when such services will be available to customers, the extent of customers with a new option in broadband service providers, and the extent of any impact to rates charged by private businesses for broadband service as a direct result of the competition provided by electric cooperatives.
- Due to multiple unknown factors a precise impact to business revenue and jobs in Tennessee cannot reasonably be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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